

Ethical Principles: Developing a Personal Decision-Making Model

An Honors Thesis (HONR 499)

by

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A handwritten signature in black ink that reads "James Schmutte". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

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ABSTRACT

Throughout life, individuals will be faced with a multitude of ethical decisions. While some everyday decisions have little effect on people's lives, other larger decisions affect others in tremendous ways. Those decisions have the ability to leave a positive impact on the world, but they also have the power to bring about great destruction if the decision is made unethically. In the profession of accounting, accountants have the unique opportunity to serve others with the ability to provide accurate, reliable, and relevant information, and it is especially important that accountants conduct their profession and personal lives with integrity. For this reason, I chose to explore ethical principles as a whole to determine how they relate to the business world. By exploring the definition of ethics, the understanding of ethics through philosophy and psychology, the source of ethics through spirituality and culture, and current decision-making models that have been developed, I have designed a personal decision-making model that I intend to use to help make ethically-driven decisions both inside and outside of my chosen profession.

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INTRODUCTION

Life is full of choices and decisions. Every day we are faced with situations that force us to select from a multitude of options. While many of the decisions we face will be small with little effect on our daily lives, other decisions bear a much heavier weight. Whatever choice is made to address the decision, it may have long-lasting and far-reaching consequences.

Selecting a choice inherently involves the use of judgment and a set of values. Options must be evaluated carefully and weighed against the values that one holds. These sets of values, or moral standards, may also be called ethics. Using ethics to make a choice then becomes known as the process of ethical decision making.

The application of ethics is extremely important as it is the foundation upon which much of society is built. Individuals who share a perceived set of values come together to create a society that holds those same values. The values become the basis for governing, conducting business, interacting, and living.

Although ethics are important and provide a foundation to society, ethics are not all universal or constant. The varying beliefs of individuals and cultures and the change in values over time are evidence of this. This can make it difficult to navigate through decisions when others who are also involved in the situation want their values and beliefs to be taken into consideration.

It is inevitable that these situations will be encountered. The political, social, personal, and business worlds are rife with compromising situations. Internal conflicts, external pressures, and sometimes ignorance can make deciding what to do even more difficult.

When faced with a multitude of ethical beliefs, pressures, and consequences with potential long lasting impacts, how does one determine the right choice? It would certainly be easy to say that whatever results in the securing of self interest would be the right choice. That path, though, may leave out the people around you. Perhaps it would make more sense to say that whatever choice leads to the benefit of those around you is the better choice. Even if that were true, who decides whose benefits outweigh the needs of others? The options are not always black and white.

Ethical decision making is best approached using a model that provides guidelines on how to address an ethical dilemma. The purpose of this paper is to develop my understanding of ethics that will, in turn, assist in creating a personal ethical decision making model that I can apply to whatever moral situations may be encountered in my life. Since life is not static, the formation of moral values that occur throughout life can be evaluated and addressed using an ethical decision making model.

While the decision model is designed for use in all areas of life, special attention will be given to the business area of accounting. In recent years there has been an emerging trend favoring ethics in business. I feel it is important to address this because my profession will be in the field of accounting, and I want to equip myself with knowledge on how to deal with ethical issues that I may encounter both within my career and within my personal life. It is my hope that my research into ethical issues will yield an effective understanding what it means to live ethically. This thesis will explore the definition of ethics, the understanding of ethics through both philosophy and psychology, the source of ethics through spirituality and culture, and current decision-making models

in order to develop a personal ethical decision-making model that I intend to use in the profession of accounting and in the decisions that I make during everyday life.

DEFINING ETHICS – CHARACTER AND MORALITY

In order to begin developing an ethical decision making framework, it is necessary to understand what ethics are, where ethics come from, and how ethics are approached from different fields of study. Researching the history of any subject can prove to be a useful tool. While the concept of ethics has long been in existence, the Greek derivation of the word provides a useful definition and meaning. Ethics comes from the word *ethos*, which in Greek means “character” or “customs” (Mintz 5). The key word here is “character.” According to Merriam-Webster, character is defined as “a set of qualities that are shared by many people in a group, country, etc” (Merriam-Webster.com).

In the book, *Ethical Obligations and Decision Making in Accounting*, Mintz and Morris reference the Josephson Institute, an organization committed to improving the ethical quality of society. The Josephson Institute has laid out six common qualities of character that it believes are commonly shared throughout the world. These “Six Pillars” encompass the main qualities that ethics may be forged from. Each pillar is described by its own set of specific virtues. The first is trustworthiness. This quality can be summed up by the virtues of honesty, integrity, reliability, and loyalty (Mintz 8-9).

Respect is the second pillar upon which character stands. Ideas such as “civility, courtesy, decency, dignity, autonomy, tolerance, and acceptance” all contribute to respect (Mintz 11). Respect may also be compared to the Golden Rule, which as it was taught to me states, “Do unto others as you would have them do unto you.” In treating others as

you would want to be treated, you are making others equal to yourself and requiring yourself to show them the same level of respect that you desire for yourself.

The third pillar of character is responsibility. According to Mintz, “We are accountable for what we do and who we are” (11). Responsibility entails obligations that must be met. The failure of meeting these obligations is irresponsible, and is thus condemned. Fairness is the fourth pillar. It involves the appropriate apportioning of rewards according to the amount of work accomplished (Mintz 12).

The fifth pillar is caring. Essentially, this requires empathy and the ability to be sensitive to others. When you have empathy for others, you are more likely to want to care for them. This is also known as altruism. (Mintz 12)

The final pillar of character is citizenship, which dictates the behavior of individuals as part of the larger society. This may be called patriotism by some. Others would describe it as the service you provide to your community by “obey[ing] laws, be[ing] informed of the issues, volunteer[ing] in your community, and vot[ing] in elections” (Mintz 13).

Another way to refer to ethics is morality. The *Encyclopedia of Philosophy*’s definition for ethics is that it is a “way of life and a set of rules of conduct” (Brooks 131). Again, the *Encyclopedia of Philosophy* offers a similar definition for morality: “rules laying down what ought to be done and what ought not to be done” and “beliefs about ideals, about what is good or desirable or worthy of pursuit for its own sake” (Brooks 131). Both ethics and morality revolve around the idea of a code of conduct for life that is based in values that are deemed desirable. In this sense, they are the same, and throughout the rest of the paper, these words may be used interchangeably.

STUDYING AND UNDERSTANDING ETHICS - PHILOSOPHY

There are two fields of study that provide different theories for an understanding of ethics and their formation: philosophy and psychology. The philosophical theories are made up of five main ideas: teleology, deontology, fair justice, distributive justice, and virtue ethics. Each theory revolves around a different mindset or way of thinking about ethics.

Teleology theories “study ethical behavior in terms of the results or consequences of ethical decisions” (Brooks 138). The results of decisions are the deciding factor as to whether or not the ethical decision was the right choice. Positive results may include self-realization, happiness, enjoyment, health, beauty, and knowledge. On the other end of the spectrum, negative results would be the opposite, such as unhappiness, misery, illness, ugliness, and ignorance. These results are seen as either positive or negative based on the effect they have on the individual. Determining what was the right choice is simply a matter of determining whether the choice resulted in positive or negative outcomes. (Brooks 138)

Utilitarianism is a more specific theory within teleology that simplifies the positive and negative into that which causes pleasure and that which causes pain, respectively. The goal of utilitarianism is to maximize the pleasure that can be had in life while minimizing the pain experienced. This is able to be applied not only on the individual level, but also at the society level where everyone’s pleasure and pain are taken into account. Any conflicts that might occur between what is good for the individual and what is good for society may be resolved by adhering rule utilitarianism,

which is essentially that which produces the greatest amount of good for the greatest amount of people. (Brooks 139)

Within utilitarianism itself are two lines of thought. Act utilitarianism “deems an action to be ethically good or correct if it will probably produce a greater balance of good over evil” (Brooks 140). Brooks includes a decision making model that categorizes results. While not applied in every case, a decision tree may be used to help assess the situation. The decision tree maps out the different possible actions and includes value considerations of the rewards and costs associated with the various actions available. (Armstrong 6-7) Basically, the value considerations categorize the effects of the actions; however, this can be a very subjective task since each person would weigh the effects of the actions differently.

The second line of thinking in utilitarianism is based in rules. Rule utilitarianism “recognizes that human decision making is often guided by rules.... [T]he guiding principle is: follow the rule that tends to produce the greatest amount of pleasure over pain for the greatest number of people who will probably be affected by the action” (Brooks 140). Rules come from different sources. There are rules passed by governing bodies to direct the actions of citizens. Parents also set rules to protect and teach their children. If a conflict arises between rules from different sources, the rule of the greatest good for the greatest number of people should still be applied.

Deontology theories “evaluate the ethicality of behavior based on the motivation of the decision maker” (Brooks 144). This view is also known as duty ethics. A person’s moral worth is derived from the actions of a person driven by a sense of duty (Brooks 144). A person’s sense of duty is most often affiliated with loyalty, whether it is to a

person or a group. Immanuel Kant provided two “laws” for testing the ethicality of actions: Categorical Imperative and Practical Imperative. The first, Categorical Imperative calls for actions “in a manner such that you would be prepared to have anyone else who is in a similar situation act in a similar way” (Brooks 144). The second, Practical Imperative demands that one must “act in a way that you always treat humanity, whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end” (Brooks 145). Within the imperatives there is a “duty to act positively towards the ends of others” just as “I act positively towards my ends” (Brooks 145).

Philosophy provides two ways of approaching ethics from the perspective of justice: fair justice and distributive justice. Theories of fair justice are built around procedural justice, the idea that everyone is treated equally under the law in all circumstances. This justice is to be impartial, without regard to physical characteristics, social, or economic status. It is the law, not personal subjectivity, which decides the outcome of cases. (Brooks 146-147) The concept of everyone being equal in regards to ethical decisions means that favor cannot be given to a person or group in preference over another. The consequences and effects on everyone are given equal weight.

In contrast, distributive justice provides another way of thinking about decision-making from a justice standpoint. Distributive justice is proportional, which means that not everyone is equal. Each person is to receive according to some predetermined criteria, such as need, arithmetic equality, or merit. The criteria of need is based upon haves and have nots. Those who have not are given preference over those who have. Arithmetic equality deems that unequal distributions are unjust. (Brooks 147-148) Merit offers

another option for distribution, and it is based on contributions. He who “contributes more to a project... should receive a greater proportion of the benefits from the project” (Brooks 148).

In order to provide balance to the possibility of unequal distribution or fairness, the principle of difference can be employed. This principle says that it is just and ethical for those with more to help those with less (Brooks 149). It is closely related to the criteria of need discussed earlier under distributive justice

Virtue ethics is another major approach that improves upon and refines the ideas of the six pillars of character. The main guiding principle with this theory is finding the mean between extreme positions in ethical situations. An example of this would be courage. “[It] is the mean between cowardice and rashness” (Brooks 150-151). Unlike the other theories, emphasis for virtue ethics is placed on the “moral character of the decision maker” and not on consequences or motivations (Brooks 151).

These theories outline the different ways that ethics are approached from. Teleology focuses on the consequences of actions and decisions. Deontology is centered on motivations. Fair justice requires that equality be given to everyone involved. Distributive justice requires that priority be given to those who have less. Virtue ethics is concerned with finding the character trait that would best address the situation.

Combining each emphasis from each theory provides the framework for what needs to be considered when making ethical decisions. All of these things will come into play when I create my personal ethical-decision making model. Asking myself what the consequences of my actions will be helps place importance on future implications, not just the present, which may seem to be more urgent. Asking what my motivations are

would help me realize where my duty lies and whether or not my motivations are in accordance with my duty. Determining the equality or inequality of those affected by my decision will help me prioritize the choices based on how they affect others. Using virtues to help make a decision would allow me to have a trait that I know must be expressed in the problem at hand. These points will be used to help form my personal ethical decision making model.

STUDYING AND UNDERSTANDING ETHICS - PSYCHOLOGY

Psychology's assessment of moral development is dominated by one particularly interesting and relevant theory called the Four Component Model, which is based on observations and tests. The four components of the theory are moral sensitivity, moral judgment, moral motivation, and moral character.

The first component of moral development is moral sensitivity. This is the "awareness of how our actions affect other people," and it "involves being aware of different possible lines of action and how each line of action could affect the parties concerned" (Rest 23).

The second component is moral judgment. This component is concerned with how individuals choose what is right and what is wrong, and how they will act accordingly. Much of the leading research for moral judgment comes from Lawrence Kohlberg and his study of moral processing and cognitive development. Prior to Kohlberg, the view of socialization dominated the thoughts of sociologists and how they viewed individual moral development. Socialization is when individual moral development is a result of learning to integrate into the morals of the surrounding society

and culture. Kohlberg flipped this idea and proposed that it is the individual that influences society's views of right and wrong.

To expand upon the second component of moral judgment, Kohlberg's theory is made up of three levels, each consisting of two stages. An individual begins moral development at the first level and continues towards the third level. Each prior level builds up to the next, allowing for the development process to continue. The first level is named the "pre-conventional level." This level contains a "focus on the self" with actions being "judged by their effect on the decision maker" (Armstrong 19). Stage one of the first level is when "the expressed wishes of authority figures become laws for the child and if he breaks these laws he believes that punishment is sure and swift" (Armstrong 19). Rules, authority, and avoidance of punishment are the guiding principles of stage one. Stage two marks the start of the recognition of the needs and interests of other individuals. At this stage, an individual is going to follow rules, but only when in the "immediate interest" of the individual (Armstrong 20).

Level two is the conventional level of Kohlberg's model. Within level two are stages three and four, where "focus shifts from the self to the group and its rules" (Armstrong 22). Expectations play a large role here. The individual perceives the expectations that others have for everyone else and strives to conform to these general rules. Within stage three, the group consists of people who are significant to the individual, such as parents, siblings, close friends, and other relatives. The individual will move from a sense of self to a sense of commitment or duty to those that are important to him (Armstrong 22). Stage four expands the group of important people to include unknown others. These would be strangers or people with whom interaction is minimal,

but to whom moral consideration must still be given. Laws and rules by governing bodies begin to come into focus because they are seen as agreements that help to control the behavior of society. (Armstrong 23)

The third and final level, the post-conventional level, includes stages five and six. Here, the focus is now centered on an individual's inner principles, not the rules of level one or the group standards of level two. The individual is seeking to "define where social obligations cease and individual rights dominate" (Armstrong 24). Often this stage is brought about because of the failure of the current laws and system. In this stage, the individual questions what should be done when laws fail to be just. Basic human rights are frequently dealt with in stage five. Stage six is concerned with "self-chosen ethical principles" (Armstrong 25). There is a greater emphasis placed on achieving justice in accordance with human rights and dignity.

Kohlberg's theory does not specifically address the issue of ethics changing with time. It is a progression through levels of maturity that can be independent of time. However, his theory can help to explain why an individual's morals change as time goes by. For example, stage one is often associated with younger children who follow the rules of their parents to avoid punishment. Stage two usually occurs with preadolescence where the needs of others, such as friends or family, begin to hold some importance to the individual. The third stage can be linked to the adolescent stage, where the expectations and peer pressure of others form the basis for decisions made by the individual. The fourth stage begins the passage into adulthood, when priorities such as work come into focus and the laws governing society play a part in the individual's basis for decisions. The fifth stage relates to adults who have had more time and experience and thus have

more maturity. The sixth stage is not often reached, and thus is harder to correlate this stage with a specific age group. The association of ages with these different stages of development is not absolute because everyone is different and passes through life differently, but it serves as a good foundation for the assessment of how people make decisions.

To continue with the progression of moral development, the third component is moral motivation. This component compares how much priority is given to non-moral values versus how much priority is given to moral values. Moral values deal with virtues, such as honesty, loyalty, and a sense of right and wrong. Non-moral values are anything else that an individual deems important, such as an ultimate goal to be fulfilled, or an organization that the individual is a part of (Rest 24). In these instances, the motivation to fulfill that goal or serve that organization is more important than moral values where right is pursued and wrong is avoided. The goal of an individual becomes the “moral” thing to do without regard to it being right or wrong. It is much the same way with serving the organization. Moral motivation is often linked to self-identification or self-concept. The motivations of individuals are connected to whom they believe they are (goals) or to what they believe they are a part of (an organization). Professionalism is an example of this. Students who take higher education towards a certain profession obtain a sense of identity with the goals and ideas behind the particular profession (Rest 133-134).

The final component of the moral development theory is moral character. This goes beyond the motivation discussed above. Motivation is meaningless without the character to follow through on decisions. It takes “ego strength, perseverance, backbone, toughness, strength of conviction, and courage” to be able to follow through on moral

decisions (Rest 24). If these qualities are lacking, then moral failure will soon follow, despite motivation existing. However, if motivation is strong enough, it can spur an individual on to develop the necessary character to act on their judgment. Moral character must be able to clear away distractions and get rid of diversions that would otherwise keep the individual from acting on the moral decision (Rest 136). Sometimes the difficulty of carrying out the decision can sway moral character. Approaching situations as rewarding challenges instead of burdensome challenges may help bolster the mental fortitude needed to deal with the problem.

Each of these four components of the moral development theory can be analyzed and considered when developing a personal ethical decision-making model. For instance, moral sensitivity, the first component, is the awareness of how actions affect others. This is important to consider when developing an ethical decision-making model because it emphasizes others and not just the individual. This requires knowing and understanding who is involved in the situation, either directly or indirectly. It may not always be clear who will be affected, and in these cases, it can be helpful to lay out the different alternatives and actions to logically think through the consequences. Moral sensitivity introduces the consideration of effects on others and not just the individual. It is a balance between selfishness and a complete lack of self, a sort of ethical objectivity.

The second component of moral judgment detailed the stages an individual goes through when deciding what is right and what is wrong. Kohlberg's theory is useful for showing progression through moral maturity over time. Within his theory, we see how experiences and social connections play important roles in determining how an individual responds to ethical situations. Past experience builds knowledge that can be reapplied to

future situations and adapted as new information is obtained. Social connections influence the individual's behavior, most significantly by persons close to the individual, such as family and friends. Having an understanding of how an individual chooses what is right and what is wrong is helpful because it reveals what stage of moral maturity an individual is at.

Once the maturity level of the individual is determined, one can analyze the moral motivation of the individual, which is the third component of moral development. Moral motivation provides insight into the specific values that an individual holds in high priority. Motivations are revealing because they provide the answers to why specific decisions were made. Once a motivation is pinpointed, it can be weighed against both moral and non-moral values to see how the individual will deal with the situation.

An individual's character, combined with motivation, also provides the ability to commit and follow through on an ethical decision. Moral character is the fourth and final component of moral development. Commitment is displayed through actions. The analyzing and brainstorming stages are over, and it is time to implement the chosen decision.

When these four components are viewed together, they can be seen as individual steps in an ethical decision-making model. These steps are very similar to the philosophical framework described in the previous section. Moral sensitivity consists of gaining knowledge about who will be affected and how. Moral judgment deals with understanding what is right and what is wrong based on experience and those involved in the situation. Moral motivation builds upon moral judgment by examining the values that an individual prioritizes. Moral character is concerned with the ability to act. To

summarize, in order to make a decision, it is necessary to gather information about who is involved and what the consequences of actions would be, consider what the right and wrong choices are, understand your motivations, and act on your decision. Before I integrate these steps into an ethical decision-making model, I will explore various origins of ethics to illustrate how that affects an individual's model.

SOURCES OF ETHICS - SPIRITUALITY

While philosophy and psychology provide insight to the mechanisms behind ethical development and formation, spirituality and culture are two main sources of ethical principles and moral values. There can, however, be difficulty in analyzing the two. First, spirituality and culture are sometimes so intertwined that it is hard to tell them apart. Second, the diversity of spirituality and cultures is so great that it would be difficult to address the different spiritualities and cultures and the specific values each endorses within a single paper. Instead, I will focus on defining spirituality and culture in order to illustrate how they ultimately affect how people make decisions.

Spirituality is concerned with human fulfillment through the possession of “basic goods” (Williams 85). Goods, in this context, are intangible ideals, goals, or values that most individuals strive to possess. These goods can be divided into four categories. The first set includes goods that we experience, such as “life, health, knowledge, and beauty” (Williams 85). The second set is goods that come about by our choices or actions, such as wealth or success and involve finding harmony within oneself. This can involve utilizing values such as integrity when making decisions. The third set is focused on social aspects, specifically those of community and friendship. The fourth set deals with faith.

This set seeks the alignment of self with a higher order, whether it is God or a sense of purpose that goes beyond the individual. (Williams 85-86)

Spirituality is thus the pursuit of harmony, or agreement. This includes harmony with experience, harmony with self, harmony with others, and harmony with faith. Experience, within this definition, refers to the events in life that are out of our control. It refers to outside influences that affect us that we cannot change. The last three are where the need for ethics and morality come in. These too are experiences, but are within our control. The means of obtaining harmony with self, others, and faith comes from practicing and performing a moral lifestyle.

The ways to practice and perform a moral lifestyle may be referred to as religion, which can be defined as “an interest, a belief, or an activity that is very important to a person or group” (Merriam-Webster.com). There are many religions that are practiced throughout the world. Some share similar beliefs and traditions, and others bear little resemblance to another religion. The common thread within all religion is the existence of an ethical set of principles.

The principles within each religion vary. Some religions have principles based on the idea of duty, either to God or to another deity or object. Others are based on values, such as honesty, love, or improvement. Often there is a mixture of both duties and values. Because religions hold priority to different duties and virtues, there are varying ethical standards to which individuals may be held accountable.

In the context of a decision-making model, it is important to remember that the values and duties of both my religion and that of others will factor into how the situation should be handled. This does not mean that the specific beliefs and traditions of every

religion should be memorized and applied every time an ethical question comes up. It does, however, require the moral sensitivity that was discussed earlier under the psychology section; no matter what an individual's religion is, it is necessary for the individual to ultimately consider how his actions will affect other people.

SOURCES OF ETHICS - CULTURE

Culture's role in moral development, as briefly mentioned in the discussion of Kohlberg's theory, is often debated. There are those who believe that people influence the culture, and there are others who believe that culture influences the people. I believe both to be true. The effects each has on the other are not separate. Both society and individuals draw from and influence the other.

It may be easy to say that cultural ethics are different with every culture, but there is evidence of at least three sets of shared principles across cultures. These include the "ethic of autonomy," "the ethic of community," and the "ethic of divinity" (Woods 11). Autonomy promotes the values of "rights, justice, freedom, and harm avoidance" (Woods 11). These values are often associated with individuals and the ability to live and act according to the capacity possessed by the individual person. Each person desires and strives for these values for themselves.

Community deals with the values of "respect, loyalty, duty, and interdependence" (Woods 11). Here, community is referring to those values that exist within the social environment. More than one person is required for these values to take place. Respect is commonly associated with agents of authority that hold some degree of power over a person or group of people. Parenting is one example of this. Respect towards parents is valued because the parents are seen as older, wiser, and more experienced.

Divinity incorporates values such as “purity and sanctity” (Woods 11). This ethic is tied closely to spirituality and is also considered to be a set of shared principles across cultures because there are faiths and beliefs that permeate cultures with certain moral values. The values of purity and sanctity relate to the pursuit of harmony with a higher order, but the effects of striving towards these values can spill over to the other sets of shared principles, like autonomy and community.

Ruth Woods references in her book, *Children’s Moral Lives*, about the moral development of children, that culture conveys its morality by “the organization of everyday routine practices,” by “commands and requests,” and by “emotional reactions to events” (Woods 5). The routine practices are those in which individuals participate in, either voluntarily or involuntarily. The practice of going to school emphasizes education, and thereby promotes the value of intelligence. Sports emphasize physical fitness and teamwork, which promote the values of health and loyalty. Practices that are specific to the culture often carry greater weight for the development of the value promoted in that particular practice. Religious practices and stories play a part here because they can be ingrained in the culture.

Within a community of people, the importance of commands and requests help to determine the values and ethics of a specific culture, and these things are often reinforced by consequences or punishments. Commands and requests may be verbal or written and must come from a higher authority. These commands and requests carry with them whatever values the authoritative figure is trying to convey. A command to not lie is conveying that honesty is valued. Orders, such as being told by someone to do something for them, can express the values of obedience or service to others. In the same way,

failure to follow the rules results in consequences. Consequences, in the form of punishment, help reinforce the importance of the rule and why the rule is necessary. For example, in order to promote the value of cleanliness, fines are prescribed to those who litter. Human life is another value reinforced by punishment. The killing of a human being as an act of murder may be punishable by death or life imprisonment depending on the laws of the society. The punishment acts as an example to others that life is valued and not to be taken.

As with consequences for rules, emotional reactions to events on the part of others in the society reinforce the values held by the culture. Emotional reactions to events occur when individuals “observe the intrinsic effects of particular acts, which they receive or witness” (Woods 8). For example, witnessing an act of violence can elicit feelings of anger toward the perpetrator and empathy for the victim. In this example, the values of peace and protection may be communicated. Internal reactions, such as shame and guilt, for breaking a societal ethic can be effective in mitigating a person’s desire to break rules again. This is not always the case as there are many repeat offenders in different societies who have not learned from the emotional reactions of those around them.

It is important to remember that culture plays a part with the values that people share. Taking the time to understand what the cultural background is of those involved in a decision will allow better consideration to be given to the needs of the people in that society. An individual’s cultural background will have a tremendous impact on how he develops his personal ethical-decision making model. While there are several ethical decision-making models that have been developed and researched by professionals, such

as those that I explore in the next section, an individual's personal model is determined by a wide variety of influences.

ETHICAL DECISION-MAKING MODELS

Ethical decision-making models are not a way to escape making difficult ethical decisions. Decision-making models provide a set of guidelines, statements, or questions that are used to analyze situations. The end decision is still left up to the individual who is facing the problem.

There are many decision-making models that focus on ethics. They are based on both the philosophical and psychological theories discussed in earlier sections. The models also try to take into consideration cultural and religious issues that may be present. Because of the flexibility of the models, they can be applied to different issues, different scenarios, and different people. Once again, however, the user of the model is responsible for the analysis. The model is not a computer program where variables are inputted and the correct answer is given. This work is left to the user.

Based on my research, I came across four similar decision-making models. The first model was from Brooks and Dunn, which was the shortest model. It consists of identifying the facts, ranking the involved parties and their interests, and assessing the impact of possible actions (Brooks 196).

The second decision-making model is the American Accounting Association's model. Their seven steps to decision-making include: determining the facts (what, who, where, when and how), defining the ethical issue(s), identifying the major principles, rules, and values at play, specifying the alternatives, comparing values and alternatives, assessing the consequences, and making the decision (Brooks 196).

Trevino and Nelson provide the third decision-making model in their book, *Managing Business Ethics*. This approach takes some of the philosophical and psychological considerations that were mentioned earlier and incorporates them into an eight-step process. Their model outline possesses similar characteristics to the American Accounting Association's model. It too states that facts should be gathered, ethical issues should be defined, consequences should be identified, and alternatives should be listed (Trevino 103-109). Steps that are different include identifying the affected parties, identifying obligations, considering your own integrity, and checking your instincts.

The fourth model is proposed by Mintz and Morris. This model takes an approach that is more focused on ethics from the viewpoint of business, specifically accounting. It also places more emphasis on the identification of every possible issue. (Mintz 57-58.): This model has many steps in common with the previous models, including framing the ethical issue, gathering all the facts, and listing all possible alternatives. One step that is shared with Trevino and Nelson's model is the identification of the affected parties and obligations. Because Mintz and Morris's model is focused on the side of business, there are several steps that deal with business issues, such as identifying any relevant accounting ethics standards and identifying operational, accounting and auditing issues. The steps that involve identifying accounting rules and principles are similar to the American Accounting Association's model. The final steps of Mintz and Morris's model that are unique are deciding on a course of action and reflecting on a decision.

All of these models share similar steps with some unique points from each model. The shared steps include: gathering facts and information, defining the ethical issues, identifying those who would be affected, identifying obligations, and listing possible

alternative solutions. These seem to be the basis for decision-making models. Steps shared by at least two of the models consist of the following: identifying the consequences of possible decisions, not only listing alternatives but comparing them against each other, and deciding what alternative to actually implement. Steps that were only incorporated in one of the models, interestingly enough, revolve around the decision maker: checking your instinct, considering your character and integrity, and reflecting on your decision.

There are a couple of steps in these models that I do not entirely agree with. For instance, checking the gut is essentially listening to your instinct. Subconsciously, there are alarms and warnings that cause a person to reconsider his thoughts or actions. Sometimes these warnings turn out to be true, and other times they end up being false alarms. This sort of step should be left out of models, or at the very least placed at the end and given a warning of its own. Basing decisions off of feelings and not logic may skew perception and may cause more problems in addition to the underlying ethical issue.

Considering your own integrity seems like a step that would be shared by all models, but it is not because some models assume that the decision maker is not concerned about self. The models are more focused on the public good. Considering your own integrity though is important. Once a decision is made, it will have to be lived with. The question should be asked, “What will happen to my character or my integrity if I make this specific decision?”

Reflecting on your decision comes after you have made it. This step is for learning from the situation. It allows the individual to think about what might have been

done differently, or what things could have been avoided, or even what could have prevented the problem from ever occurring in the first place.

Evaluating the ethical-decision making models determined by experts is an essential first step in determining a personal ethical decision-making model. In the next section, I will combine all of my previous research, as well as my own opinions, in order to create the steps of my personal ethical decision-making model.

PERSONAL ETHICAL DECISION-MAKING MODEL

I believe the first step when faced with an ethical dilemma is to gather the facts. You must learn everything you can about it. Take into account every angle, whether it is from your point of view, an opposing viewpoint, or one that has not been considered yet. If there is any missing information, every effort must be made to obtain it. If this means getting a third party to help you see things from another perspective, then do it.

The second step would then be to define the ethical issue. This is essential to do because it can concretely define what ethical issue I am facing. This will keep me on track, and lessen my chances of being distracted by a less important issue or something unrelated to the problem.

The third step is to identify who will be affected by whatever decision you make. This can help minimize the selfish impulse to only care about what happens to yourself, and it reaffirms that the interests of others are equally important, if not more so.

The fourth step is to identify the obligations you have to each party involved or affected and what they are seeking from this ethical situation. For some parties there may be no obligation at all, and they can thus be left out of the consideration. Ranking your obligations helps you to see where your priorities might lie. Thinking about what each

party wants is necessary because the desires they have may not be ethical at all.

Motivations are a good indicator of intent. If the intent of the party is not good, then the priority to that party should be lessened. If there are valid ethical considerations for an involved party, then priority should be assigned to them. Understanding the spirituality and culture of those involved comes with this step also. This can help provide insight to the values that are important to those affected.

The fifth step should be to list as many possible alternative solutions that can be thought of. Leaving a solution out that has the possibility of being the better choice can obviously be harmful. This step may require some extra work to creatively brainstorm possible solutions, but it is worth the extra time in case a better solution arises from the brainstorming.

The sixth step must be to compare all the alternatives you have come up with. The effects and consequences on every party should be carefully analyzed to see what action could produce the greatest good and what action could potentially be the most damaging. In this step, it is important to consider yourself. This does not mean you lay aside the importance of others in favor of your own well-being. It means that you should be well aware of what might happen to you based on the decision you make. You should be prepared to accept your responsibility in making the decision.

The seventh step is to choose and implement the alternative that will best address the problem. By this time, you have considered the good of others, the consequences, and your obligations and responsibilities. It is now your ethical duty to make the decision. A failure to act would result in a lapse of moral conduct, and this would be just as bad as having chosen poorly.

Finally, the last step is to reflect on and analyze whatever decision you have made. It is often too late to prevent the consequences, but by evaluating the effects, you can learn. If it becomes apparent that you made the wrong choice, try to understand what went wrong so that if you are ever faced with a similar position, you may be able to avoid the same mistakes. It is not always possible to fix what you have done, but if the opportunity presents itself, attempt to reverse or minimize the effects of your decision. If it all turns out reasonably well, do the same thing and apply the good principles to comparable, future situations. I hope to use this personal ethical decision-making model in all areas of my life, especially as I enter the profession of accounting, where there have been numerous instances of individuals failing to live ethically and have ended up suffering the consequences of their decisions.

THE ACCOUNTING PROFESSION

Accounting is a profession that deals with service. Accountants gather financial data, analyze it, format it, and present it, usually in the form of financial statements, as information to be used to make decisions. The users of these financial statements are numerous, but they usually include investors. The investors are made up of people usually external to the company, and they invest in companies with the hope of making a return on their investment. The accuracy, reliability, and relevance of information provided by accountants are important to investors because they make informed decisions about where to invest their money. If accountants abuse their role and do not provide accurate, reliable, and relevant information, these outside investors from the public are negatively affected.

The accounting profession is one in which a mistake, even a slight one, can have far reaching consequences. Over the years, there have been cases of fraud originating from accountants who either abused their power or caved to pressure from employers. While, unfortunately, a few fraudulent accountants have the capability of spoiling the reputation of the accounting profession, it is important to remember that accounting is merely a tool that can be used for good or bad, and the accountant determines which it will be. These cases have led to reforms throughout the profession and the legal realm, including calls for both increased ethical principles and regulatory laws. The Sarbanes Oxley Act was one result of the regulations. The major cases that led to this act include Enron and WorldCom.

The cases of Enron and WorldCom provide real examples of what happens when major companies fall from the effects of unethical decisions. Enron's collapse was due to a string of unethical decisions made by its management. After Enron filed for bankruptcy, the Senate Permanent Subcommittee on Investigations released a report, the *Report on the Role of the Board of Directors in the Collapse of Enron*, that found there was significant fiduciary failure to protect Enron shareholders, high risk accounting that was allowed to occur by the board of directors, inappropriate conflicts of interest that involved the company's Chief Financial Officer, extensive undisclosed off the books activity that was designed to make the company look better than it really was, excessive compensation to company executives, and a lack of independence with members of the board of directors and the audit company of Arthur Andersen. (Brooks 640-641)

The key figures behind Enron's manipulations were Kenneth Lay (CEO), Jeffrey Skilling (President), and Andrew Fastow (CFO). Other board members were involved

and received excessive compensation. Even though these individuals were choosing to make unethical decisions, there were several employees who became whistle blowers. The most notable in this case is Sherron Watkins, an accountant who began whistle blowing with an anonymous letter because she was afraid of potential backlash against her. Eventually she came forward and testified. The auditor of Enron was Arthur Andersen. This firm was involved in the auditing, consulting, advising and review of Enron at multiple levels, both internally and externally. Arthur Andersen missed or ignored the manipulating going on, and then later was discovered to have shredded pertinent documents to the investigation. (Brooks 644, 651-652)

After some of the dust had settled, indictments and charges were brought against the leading executives involved. Enron and Arthur Anderson ceased to exist because of poor ethical decisions made by managers and employees within the companies.

Shortly after Enron's troubles, WorldCom, a telecommunication company, also filed for bankruptcy. At the center of this scandal was Bernard Ebbers, the CEO of WorldCom. His influence in the manipulation of financial data was assisted by Scott Sullivan (CFO) and David Myers (controller). Again indictments and charges were brought against the perpetrators of fraud that dearly cost shareholders. (Brooks 661-665)

While these are just two examples of companies participating in deceptive acts, the trend towards ethical business practices has been spurred on by the cries from the public, who suffered the most for the mistakes of a few. This trend is focused on emphasizing "honesty, fairness, compassion, integrity, predictability, responsibility... trust, and respect" (Brooks 672). Ultimately, the public has expectations of professionals

and their actions. These expectations are equivalent to the ethical principles that a society demands from its members.

Because investors from outside the company have so much riding on the decisions of a few people, accountants should act in the way that is expected of them. The International Federation of Accountants (IFAC) has a statement in their Code of Ethics that reads:

“A distinguishing mark of a profession is acceptance of its responsibilities to the public. The Accountancy profession’s public consists of clients, community, and others who rely on the objectivity and integrity of the professional accountants to maintain the orderly functioning of commerce. This reliance imposes a public interest responsibility on the accounting profession. The public interest is defined as the collective well-being of the community of people and institutions the professional accountant serves.... A professional accountant’s responsibility is not exclusively to satisfy the needs of an individual client or employer. The standards of the accountancy profession are heavily determined by the public interest.”

(Brooks 381-382)

This service to the public interest must be balanced with the service to the client. This can be a difficult task when the demands of both are strong. Sometimes accountants face ethical situations for which there is no immediately clear solution. In times like this, getting advice from others and researching similar issues can be of help. Still, accountants may have nothing to go on and must choose what they will do. Possessing

knowledge of an ethical decision-making framework can greatly help an accountant to navigate these issues.

CODES OF CONDUCT FOR ACCOUNTANTS

Accountants have at their disposal several sources of guidance in the form of codes of conduct, rules, and principles to help mitigate instances of fraud and other scandals. These guidelines have been laid down by various accounting boards and bodies that strive to make and keep accounting a professional field. Standard setters have included the Public Company Accounting Oversight Board (PCAOB), the Financial Accounting Standards Board (FASB), the International Accounting Standards Board (IASB), and others. As one example of standard setting, the FASB is involved in setting Generally Accepted Accounting Principles (GAAP). Principles like these provide accountants with a way to perform their work in accordance with standards that keep them accountable. (Brooks 379)

The American Institute of Certified Public Accountants (AICPA) is another organization whose code of conduct is often referred to when decisions of an ethical nature need to be addressed. As with all codes of conduct, theirs is not without limitations. “To be effective, codes of conduct need to blend fundamental principles with a limited number of specific rules. If a code were drafted to cover all possible problems, it would be extremely voluminous...” (Brooks 381). This is why codes focus on the fundamental principles to provide a guideline on addressing future issues, rather than spending time drafting a rule for every new situation that appears.

The AICPA Code of Conduct is its own set of principles and rules that cover different issues. Some are easier to determine as having originated from virtues and

character, such as integrity and responsibility. Other values can be found by looking deeper into the rules. Objectivity and independence principles have been established to prevent misleading of the public and possible conflicts of interest. This helps to promote the value of honesty and transparency. Due care and professional skepticism require the accountant to follow up on red flags and to question the reliability of information that they have been given, rather than accepting everything as true and adequate. This is another aspect of an accountant's responsibility in serving both the client and the public interest. Confidentiality is part of the relationship of the accountant to the client, and is important because it is integral to a fiduciary relationship. A certain level of trust must be present for the client to give the accountant information that is sensitive and could be used to the advantage of a competitor. (Brooks 382-383)

Having a code of conduct is good, but it is meaningless without reinforcement. Some governmental agencies, such as the Security and Exchange Commission (SEC), play a part in disciplining firms or individuals who do not comply with GAAP or other accounting standards. Various codes of conduct and regulatory agencies have sanctions that can be levied against offending members. Forms of sanctions can include: "cautions, reprimands, peer reviews, course completion requirements, varying levels of suspension, expulsion, damage compensation, fines and other costs, and any number of orders seen fit to be given" (Brooks 385). On top of these, the accountant or firm must deal with the damage to their reputation. Arthur Andersen declared bankruptcy in less than a year due to the destruction of the firm's character and issues with legal matters concerning the fraud.

While efforts have been made to increase awareness of ethical issues and to promote ethical practices, there is only so much that can be done to prevent unethical decisions. The actions of people are left up to the individual. No amount of rule making or enforcing will completely eliminate unethical behavior. The move towards morality must be one that is made on the individual level.

CONCLUSION

The importance of ethics in life cannot be understated. Situations will require a choice that will have an impact on your life or the lives of others. Making the right choice is desirable, but the right choice is sometimes hard to discern because of pressures, obligations, and consequences. Understanding the origins of ethics and what factors play a part in determining those ethics will be of great help in these situations.

Understanding how different philosophical theories deal with ethics lets you consider the different ways to think about how ethics can be applied. The psychological approaches provide an insight to the development of ethical principles that can be used to help you understand the progression of thought. Taking the time to learn what is expected within your society will help pinpoint what ethical values are given priority and how society deals with those who do not follow the moral norms. Understanding the influence of culture and religion is insightful and assists in the understanding of society.

As ethical problems tend to be unique, an ethical decision making model can be of great use as a guideline. My personal model that I will be able to use in varying situations in life is as follows:

1. Gather the facts.
2. Define the ethical issue.

3. Identify the involved parties.
4. Identify your obligations.
5. List alternative solutions.
6. Compare the alternatives.
7. Implement the chosen alternative.
8. Analyze the results of your decision.

This model was developed with the intent of being able to be used in my accounting career. There will be situations where an ethical dilemma must be resolved to the best of my ability. This model provides a basic structure for ethical decision-making. Studying some of the principles and codes of conduct within the accounting profession gives a sense of what kinds of values are venerated. In striving for these values, I will be able to serve both my clients and the public interest much more effectively. I will become a part of ensuring that professionalism does not come from earning a degree or from the number of years spent in the practice. Professionalism comes from the cultivating and exercise of those values that are ethical and moral.

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